



## Federal Funding for the Governor's Health Care Proposal

Today, Governor Arnold Schwarzenegger and California Health and Human Services Agency Secretary Kim Belshé met with U.S. Secretary of Health and Human Services Michael Leavitt to discuss the Governor's top health care priority: enacting a universal health care coverage initiative. The Governor's comprehensive, shared-responsibility reforms will extend coverage to all Californians, promote the core principles of wellness and prevention and dramatically lower costs and improve affordability.

Last month, Health and Human Services Agency Secretary Kim Belshé and members of the Governor's health care reform team met with the federal Medicaid director in Washington D.C. to discuss federal funding associated with the Governor's health care reform proposal. The team was assured that the federal matching dollars are available under current federal law and authority for all funding, except for the \$250 million of discretionary federal funding proposed under a new 1115 waiver. Federal authorities did note that the entire S-CHIP program is up for reauthorization and it was unknown how much that program would be funded in the future.

Below is a breakdown of the federal funds in the plan and an explanation of the funding sources and how and whether the various sources are guaranteed to the state. The chart shows that out of the \$5.47 billion in federal funds in the plan, California is entitled to \$5.22 billion under current federal law and only \$250 million will require a new federal waiver.

Federal Funding for the Governor's Health Care Proposal (Dollars in Millions)			
Funding Source	Current Funding	New Funding	Total
<b>Guaranteed under current federal authority*</b>			
Disproportionate Share Hospital Payments	\$1,000		\$1,000
Medicaid 1931b Coverage Expansion**		\$1,700	\$1,700
Physician and Hospital Rate Increases		\$1,608	\$1,608
Prevention and Wellness Measures		\$150	\$150
Existing Safety Net Care Pool Funding	\$766		\$766
<b>Discretionary</b>			
New 1115 Waiver		\$250	\$250
<b>Total</b>	<b>\$1,766</b>	<b>\$3,708</b>	<b>\$5,474</b>

\* Funding guaranteed under federal regulations and due to existing CMS and OMB approval.

\*\* Includes S-CHIP funding for expansion of kids coverage up to 300 percent of FPL.

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### **Guaranteed under current federal authority**

**Under both the Medicaid (Medi-Cal) and S-CHIP (Healthy Families) programs, the federal government matches state dollars. The categories below will not require new federal authority to tap into the matching federal dollars.**

- *Disproportionate Share Hospital Payments:* Federal law requires state Medicaid programs to take into account the situation of hospitals that serve a disproportionate number of low-income patients with special needs when determining payment rates for inpatient hospital care. This requirement is referred to as the Medicaid disproportionate share hospital (DSH) payment adjustment. The health care reform proposal maintains the current DSH levels as prescribed in federal law paid in the same manner as currently done and therefore no new federal authority is necessary.
- *Medicaid 1931b expansion:* In 1996, Congress created the 1931b eligibility category. This category allows states to use a more liberal income eligibility determination as well as to eliminate any resource test. The coverage expansions proposed by the Governor are consistent with current federal law and will not require new authority.
- *Physician, Outpatient and Inpatient Hospitals Rate Increases:* The rate proposals are consistent with all existing and proposed federal regulations that establish the upper payment limit for hospitals. California's approved State Plan authorizes Medi-Cal to raise physician and outpatient rates. The Governor's health care reform proposal related to these Medi-Cal rate increases can be implemented under current federal authority.
- *Prevention and Wellness Measures:* Federal law allows California to reimburse providers for diabetes screening and management activities. The benefit package flexibilities afforded under the Deficit Reduction Act (DRA) will enable California to provide incentives or credits for healthy behaviors.
- *Existing Safety Net Care Pool:* The authority for the \$766 million in federal claiming for the Safety Net Care Pool is established by the Medi-Cal Hospital/Uninsured Care Demonstration (Medicaid 1115 Waiver). The federal Office of Management and Budget considers the \$766 million as part of California's baseline funding.

### **Discretionary**

- *New Medicaid 1115 Waiver:* California will request federal approval for additional waiver funding to provide coverage to non-categorically eligible, single adults.
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